

we have quality classrooms all across this country for children to go to and teachers to teach in.

People recognize in America education all of the sudden again is one of the most important things we have in every community and help our people. As the gentleman from New Jersey indicated earlier, it certainly will not go all the way to correct all the needs, but it will be a start. It will say it is a high priority with those of us in Washington. And, yes, it will have some impact on that local property tax. Mr. Speaker, I yield back to the gentleman.

Mr. HOLT. Mr. Speaker, I must say that we are fortunate to have the gentleman from North Carolina (Mr. ETHERIDGE) in the House of Representatives keeping us focused on these issues. There is no one in this body who has more experience, more knowledge, and more dedication to the providing of excellent education for all of America's children. I thank the gentleman, not just for tonight's special order, but for what the gentleman does day in and day out to keep the House of Representatives focused on the most important investment that we as a country make: The investment in the education of our children.

Mr. ETHERIDGE. Mr. Speaker, I thank the gentleman from New Jersey (Mr. HOLT), and I would say this evening is a very appropriate time as we do this order and talk about education simply because in some communities right now, school is getting ready to open. I went this morning to one where teachers were coming back and over the next several weeks, schools all across America will be opening up. There are some that are year-round schools that are going to be there all year, but there are those who will open up.

Mr. Speaker, 94 Members in this House have signed this bill to build new schools. The gentleman from New York (Mr. RANGEL) and the gentleman from Connecticut (Mrs. JOHNSON) have signed on this bipartisan bill. It enjoys the support of an awful lot of Members of this House, and if we can get it to the floor, I think it will pass. I trust that the Republican leadership will give us a chance to vote on it.

But when school opens for many places across America in the next few weeks, as I have already said, America will have more schoolchildren in our classrooms than at any time in the history of our Republic. More than even during the height of the baby boom. I guess one way to say it is that it is getting better; some might say it is getting worse. I happen to say it is getting better, because we have more children in our public schools.

Mr. Speaker, we are in the best financial condition and have the best opportunity in this country that I can remember. As the U.S. Department of Education has documented, this explo-

sive growth will continue for the next decade, and we ought to use this time and use these resources and opportunities we have to invest in our future, and invest in our children.

It is wrong, it is absolutely wrong that we ask children to be in cramped closets, on stages, in leaky buildings, in trailers that we would not put a prisoner in, but we put our children in it and we tell teachers to teach there. They are hot in the summer and they are cold in the winter and that is wrong, absolutely wrong and unacceptable in a country that has the resources that we have.

We ought to be investing. It would not take a lot. It would only take just a few small pennies of what we have here to make a difference all across America. The baby boom echo presents an immediate crisis in many states. My home State happens to be one of those. It is one of the fastest growing States in America.

Mr. Speaker, this Congress must take action to build quality schools for our children. We not only have that responsibility, we have that obligation. As these 53 million-plus students head back to school this fall, they will know that we did not live up to our obligation last year. I trust we will not adjourn in October without meeting that obligation this year. We have that responsibility and that obligation. Too many of these children again this year will be stuck in trailers, shoved in closets, crammed into bathrooms that were converted to classrooms, and gyms and other substandard facilities and in some cases buildings that do not have glass in the windows. That is not acceptable.

Mr. Speaker, how do we tell a child that education is really important when they just rode by a new prison to go to an old rundown school building? That is not right. It is not right in America. It is not acceptable.

Our communities need help to build quality schools where good order and discipline fosters a positive learning environment for our children. Our teachers deserve it also.

Mr. Speaker, let me close this evening finally by saying there is another issue I want to touch on just briefly that my State has worked on, and I have introduced legislation in this Congress and trust that it will pass. That is on character education. We did a survey in my State of 25,000 students, teachers, parents and school employees and nearly one-third of them indicated that they did not treat their teachers with respect. This was in 1989-90, 10 years ago.

Mr. Speaker, we put in place character education. We started out with ethics education and turned it into character education. It is now part of the curriculum in our State and it is making a difference. It is integrated into the curriculum. It is not separate.

It teaches such thing as trustworthiness. Who can disagree with that? Respect. Who can disagree with that? Responsibility, caring, fairness, citizenship, perseverance, courage and self-discipline. We can all agree with that. Those are American traits. Every child should be taught that. It makes a difference in their life, they are better students as a result of it, and those classrooms and schools across North Carolina that have instituted it, they are seeing discipline problems go down and academics go up. All we need to do is look at what is happening in North Carolina. It is making a difference.

Mr. Speaker, as I close this evening, I would call on my colleagues to step up to the plate, as we say in baseball, and face up to the responsibility that we have an obligation to fund the 100,000 teachers so children can be taught in smaller classes and make sure that we have the classrooms children can learn in and teachers can teach in. So that parents once again will have the kind of respect they need to have because they feel we put the money where we ought to put it and invest it in the future and we ought to be putting the character opportunities to teach.

As the parent of two teachers, with a wife who teaches, and children who have gone through the public school, I will say this evening that our future is in the K-12 public schools in America where 90-plus percent of all of our children go. We cannot turn our backs on the opportunity for all of our children.

FEDERAL RESERVE MONETARY POLICY: IS GREENSPAN'S FED THE WORLD CENTRAL BANK?

The SPEAKER pro tempore (Mr. KUYKENDALL). Under the Speaker's announced policy of January 6, 1999, the gentleman from Washington (Mr. METCALF) is recognized for 60 minutes.

Mr. METCALF. Mr. Speaker, some years ago, William McDonough of the Federal Reserve Bank of New York stated, "The most important asset a central bank possesses is public confidence." He went on in that speech to note that, "I am increasingly concerned that in a democracy, a central bank can maintain price stability over the intermediate and long term only when it has public support for necessary policies."

Public confidence here can only mean the confidence of the Members of Congress in our oversight capacity. Most of the American public to this very day have not the least interest in, awareness of, or knowledge of the Federal Reserve System, our central bank.

□ 2100

But most members feel that Allan Sproul, another former president of the New York Federal Reserve Bank, was quite correct in his letter, still quoted

by Fed officials, that Fed independence "does not mean independence from the government but independence within the government. In performing its major task, the administration of monetary policy, the Federal Reserve System is an agency of the Congress set up in a special form to bear the responsibility for that particular task which constitutionally belongs to the Legislative Branch of the government."

Clearly that form of argument appeals to most Members today. The construct is a masterpiece, not just for being true, Congress did abdicate its enumerated powers, but for letting even those of us responsible for the oversight off the hook; the Treasury does not rule the Fed; the White House does not rule the Fed; and this Congress does not fulfill its supervisory responsibility either.

The current Fed Chairman, Alan Greenspan, will soon testify before this House, expressing his independence. As the journal *Central Banking* recently noted regarding the Fed, "It has acquired an air of sanctity, politicians hesitate to bait the Fed for fear of looking stupid." As a result, and still quoting from *Central Banking*, "the Fed's accountability is less than it appears. The Fed is always accountable in the sense that Congress could bring it to heel if it really wanted to."

The Fed has not done too badly in some areas, as the economy demonstrates, most notably where inflation and interest rates today are resting. Whether they remain even close to where they are come a year or two from now may, indeed, be an altogether different story. Mr. Greenspan has been pretty clear about what is now important in Fed policy.

Let me quote from some past testimony. "The Federal Reserve believes that the main contribution it can make to enhancing the long-term health of the United States economy is to promote price stability over time. Our short-run policy adjustments, while necessarily undertaken against the background of the current condition of the U.S. economy, must be consistent with moving towards the long-range goal of price stability."

The reality is that monetary policy can never put the economy exactly where Greenspan might want it to be. He knows full well that supply shocks that drive up prices suddenly, like the two major oil shocks of the 1970s, are always going to be with us. More so than ever as the process of globalization continues to transform the world's economies.

The United States Federal Reserve is leading this global transformation. Some are quietly arguing, over lunch mostly, that Greenspan is in charge of what he may already believe to be the World Federal Reserve, the World Central Bank.

There is good reason to suggest this. As Robert Pringle noted some time ago

in *Central Banking*, "Central banks rather than governments are laying down the rules of the game for the new international financial system. The Fed is in the lead."

Pringle went on to argue, and now I am quoting him again at length, "If the Fed's record during the debt crisis and in exchange rate management is mixed, most observers would give it full marks for the way it dealt with the stock market crash of 1987. It is not clear that the verdict of history will be as favorable. After being prodded into action, some central banks, notably those of Japan and England, went on madly pumping money into the system long after the danger was passed, creating an unsustainable boom and re-igniting inflationary pressures."

I am still quoting, "Well, our Fed can hardly be blamed for that. The real problem was that Greenspan's action risked creating the expectation among investors that the Board of Governors would support U.S. stock markets in the future. Clearly, the action was prompted by the need to protect banks from the risks to which they were exposed to firms in the securities markets."

"Equally, this support signaled an extension of the central bank's safety net to an area of the financial system where investors are traditionally expected to bear the risks themselves. It is no accident that after 1987 the bull market really took off. It has never looked back."

I have quoted this section in the article by Robert Pringle that appeared in *Central Banking* because we are hearing much the same fears expressed today, though quietly over lunch, by phone, by rumor, by investors and money managers throughout the United States.

Not too long ago, former Fed Chairman Paul Volker strongly suggested that our current boom is driven almost exclusively by the major international firms in the high-tech industry and the 40 industrials. Clearly, this is due to the fact that these few giant monopolies dominate the world market. Therefore, this boom reflects less what is happening here in America than what is going on in the world to these few monopolies' financial benefits.

I am not entirely complaining, mind you. Where these few giant firms are concerned, some American workers do benefit. But more foreign workers benefit than American; more investors and owners benefit than workers; more very wealthy individuals benefit than the middle class bedrock.

My problem is that Greenspan's Fed seems to believe money does not matter. That we can create vast sums of cash and pump it into the financial markets at will, manipulate the adjusted monetary base to even greater heights, or plummet to the depths; all this done toward long-term price sta-

bility. Has Greenspan so rejected Milton's theory that to do so one guarantees inflationary pressures in the road ahead along with savage corrections when actions become necessary by, once again, the same Fed?

Can Greenspan seriously argue the Fed has not created the worst bubble in history, the worst speculation ever witnessed, with millions of day traders gambling their small fortunes, wishing to become, each of them, another Bill Gates? Clearly, Greenspan sent a signal once again to investors that the stock market bears no risk for the middle class citizen.

During 1995, it was Mexico's turn again. As Pringle pointed out, "the American administration panicked. Again, the Federal Reserve was there to help, even though there was less reason for central banks to get involved than in 1982, since there was less risk to the international banking system."

As Pringle goes on to state, "Again European central bankers were annoyed at the lack of consultation. You do not need to be a populist politician to suspect that Wall Street was calling the shots, especially with former senior partner of Goldman Sachs, Robert Rubin, as U.S. Treasury Secretary."

One of the most important arguments regarding Greenspan's Fed's ability to save the world was put forward in this journal *Central Banking*, and I quote, "The Fed's good record of achievement in controlling inflation over these years contrasts with its mixed record of market management. Its Achilles heel is moral hazard. It has not been so good at preventive medicine or in taking into account the long-term effects of its actions on the behavior of governments and market participants."

It is precisely the long-term effects of Fed monetary policy that should concern Congress. If that is not our oversight role, what is? It is precisely the long-term effects on market participants that should concern Congress. If that is not our oversight role, what is? What are the long-term effects of Fed monetary policy going to be on government?

Now, certainly Congress can get behind that question, if not in our oversight role on behalf of the American people generally, and the ill-informed market participants that are creating this speculation bubble in the mistaken belief that the stock market no longer bears any risk, if not in their behalf, then maybe in our own congressional self-interest.

We have witnessed some rather disturbing policy stratagems in just the last, say, 10 months or so. Greenspan's Fed began around August and September of last year, 1999, to expand the money supply, the adjusted monetary base, from around \$500 billion to nearly \$625 billion, a \$70 billion run up, in anticipation of potential Y2K effects.

This enormous expansion flowed directly into the financial markets and helped create the enormous boom in stock prices prior to that year's end. The speculation was seen primarily in high-tech stocks.

Then comes the sudden and nearly precisely the same spike downward of the same Adjusted Monetary Base right after the year ends and 2000 begins. There were no problems with Y2K. This spike downward lasted until around April of the year 2000. That is this year.

We know the savage corrections the stock market displayed and that there were more losers than winners. All we ever hear about is the winners one sees, not the thousands or the millions of losers. Why do we hear so little about the losers in the media? Because, so the argument goes, the market returned to almost normal. The market bounced back, so the argument goes, certainly, as the Fed began once again to pump up the monetary base around April.

But, the losers remain losers, and lost homes, businesses and bankruptcies continue to reach all time highs. Personal debt, especially credit card debt, and equity finance debt have reached unheard of levels.

This is the speculation, no, let us call it what it really is, gambling, this is the gambling that is today our U.S. stock market.

One will not hear the White House complain. Only praise for Clinton's appointee shall be the sounding out, ringing out the bell in praise for White House management of the economy. One will not hear that from the very speculative bubble created during the last 6 months of 1999. One will not hear that from the quickest investor who took their profits before the inevitable downturn and before the corrections that came.

Investors were paid handsomely for their gains in capital gains taxes levied. It is no surprise to Fed watchers that the taxes collected from capital gains nearly equaled the much hailed government surplus that Clinton soberly explained was due to his wise leadership of the economy.

If the surplus was really generated by wise leadership of the White House, why is not the government's debt going down? Do not confuse the government debt with some mythical balanced budget.

For a Federal central bank, the concentration of power at the top is very marked. True, although the Board of Governors sets the discount rate and reserve requirements, the execution of monetary policy on an ongoing basis is decided by the larger 12-member Federal Open Market Committee. But the FOMC brings only five voting Reserve Bank presidents, of which the New York bank is always one, leaving the

Washington Governors in the majority. They run it. The influence of the chairman alone can sometimes be near to overwhelming.

As an historical note, and I taught history and government, so forgive me, Congress insisted on scattering 12 regional Federal Reserve Banks across the country when the system was devised so that the east could not restrict credit elsewhere. Interestingly, these Federal Reserves were chartered as private institutions in which local banks owned all the stock.

That is still true today with the outside directors on the board of a Reserve Bank, a mix of representatives from small and large member banks in the district, as well as representatives from industry, commerce and the public.

□ 2115

What was intended here was a sort of balancing; three bankers with six non-bankers on each Federal Reserve Board. Supposedly this would put the lenders at a disadvantage to the borrowing classes, which would outnumber the lenders six to three.

The boards choose the Reserve Bank presidents, always from the lending class, but do so only with the approval of the seven-member Federal Reserve Board in Washington. Thus, we can readily see that the bankers, the lenders, clearly dominate the Federal Reserve System itself. Even though at the regional Feds the distinction I just made is superficially valid, many of the nonbank directors are tied inextricably to banking itself or sit on separate boards of directors where bankers rest as well. Nor is the public sector category so clear. Many nonindustry participants on these boards have close ties to banking and banking's network of consultants, academics, and financial management roles clearly bank related.

Just how much power any one regional president has is still debated in inner circles. Previous efforts at restricting Reserve Bank presidents' powers have been dismissed on the grounds that their powers were a proper delegation of authority by Congress.

Allowing that the Federal Reserve is a quasi-government agency, it remains the only government agency in which private individuals, along with Government-appointed officials, together make government policy. Let me repeat that. The Federal Reserve is a quasi-government agency. It remains the only government agency in which private individuals, along with government-appointed individuals, together make government policy. It remains a solid fact that these regional bank presidents cast extremely important votes on public policies that in the present as well as the future affect the economic lives of every American. Yet, and this is the point to my digression,

they lack the public accountability because they lack the public legitimacy to be making these decisions, especially these kinds of decisions, some of whose recent effects I have just pointed out.

No one can any longer deny that the Federal Reserve System dominates the U.S. economy; that its decisions, more than even so-called market forces, which is a sham notion under managed competition in any case, affect everybody's lives and well-being; that within the decision-making process delegated to the Federal Reserve, the Board of Governors clearly dominates the process; that within that Board of Governors the chairman, and this is not intended to single out Mr. Greenspan but to apply to all past and future chairmen, that the chairman dominates the Board.

This does not seem to concern this Congress, but history will record the result; and the people of America may not like that result. Our founders and our constitution carefully limited the power of the President and of the Congress, but now we have an unelected Board of Governors with power, for good or for mischief, immense power, over our national monetary policy.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. MENENDEZ (at the request of Mr. GEPHARDT) for today and July 25 on account of official business.

Mr. SMITH of Washington (at the request of Mr. GEPHARDT) for today and the balance of the week on account of personal business.

Ms. WATERS (at the request of Mr. GEPHARDT) for today on account of official business in the district.

Mrs. FOWLER (at the request of Mr. ARMEY) for today on account of travel delays.

Mr. JENKINS (at the request of Mr. ARMEY) for today and the balance of the week on account of the death of his mother.

Mr. POMBO (at the request of Mr. ARMEY) for today on account of travel delays.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. FILNER) to revise and extend their remarks and include extraneous material:)

Mr. FILNER, for 5 minutes, today.

Mr. PALLONE, for 5 minutes, today.

Mr. DAVIS of Illinois, for 5 minutes, today.

Mr. CUMMINGS, for 5 minutes, today.

Mrs. MINK of Hawaii, for 5 minutes, today.